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Exhibit No. : ORA-34
Commissioner : L. Randolph
ALJ : R. Lirag
Witness : C. Tang



OFFICE OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION

Report on the Results of Operations
for
San Diego Gas & Electric Company
Southern California Gas Company
Test Year 2019
General Rate Case

Executive Summary and Post-Test Year Ratemaking,
with Tax Update

San Francisco, California
April 13, 2018

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1 **EXECUTIVE SUMMARY AND POST-TEST YEAR RATEMAKING,**
2 **WITH TAX UPDATE**

3 **I. INTRODUCTION – THE OFFICE OF RATEPAYER ADVOCATES**
4 **RECOMMENDS REDUCTIONS IN SAN DIEGO GAS & ELECTRIC**
5 **COMPANY’S and SOUTHERN CALIFORNIA GAS COMPANY’S**
6 **PROPOSED REVENUE INCREASES FOR 2019 THRU 2022**

7 This exhibit presents the overall impact of the Tax Cuts and Jobs Act (TCJA)
8 on the Office of Ratepayer Advocates’ (ORA’s) recommendations for SDG&E’s and
9 SoCalGas’ Test Year 2019 revenue requirement, as well as the Post-Test Year
10 (2020-2022) revenue increases.

With the TCJA, SDG&E calculates a \$58 million reduction to its 2019 revenue requirement, but still requests the same 4-year cumulative revenue increase of \$1.7 billion, comprising:

- a \$217 million (10.9%) increase over 2018 authorized revenues, beginning in 2019; and
- additional revenue increases of \$152 million (6.9%) in 2020, \$120 million (5.1%) in 2021, and \$122 million (5.0%) in 2022.

With the TCJA, SoCalGas requests a 4-year cumulative revenue increase of \$3.2 billion, comprising:

- a \$475 million (19.3%) increase over 2018 authorized revenues, beginning in 2019; and
- additional revenue increases of \$237 million (8.1%) in 2020, \$193 million (6.1%) in 2021, and \$203 million (6.0%) in 2022.

With the TCJA, ORA recommends 4-year cumulative revenue increases of \$218 million for SDG&E and \$1.8 billion for SoCalGas.

For SDG&E, ORA recommends:

- a \$64 million (3.2%) decrease in 2019; and
- increases of \$77 million (4.0%) in 2020, \$80 million (4.0%) in 2021, and \$83 million (4.0%) in 2022.

For SoCalGas, ORA recommends:

- a \$239 million (9.7%) increase in 2019; and
- additional increases of \$121 million (4.5%) in 2020, \$145 million (5.1%) in 2021, and \$157 million (5.3%) in 2022.

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12 Table 34-1 compares ORA’s forecasts of Test Year 2019 GRC proposed
13 revenues to SDG&E’s and SoCalGas’ forecasts, relative to each utility’s 2018
14 authorized revenues, with the TCJA impacts.

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Table 34-1
With Tax Cut and Jobs Act Impact
**SDG&E Requests a \$217 Million Revenue Requirement Increase in 2019
and SoCalGas Requests a \$475 Million Revenue Increase,
While ORA Recommends a \$64 Million Decrease for SDG&E and
a \$239 Million Increase for SoCalGas Relative to 2018 Authorized Revenues
(in Millions of Dollars)**

Description (a)	Utility's 2018 Authorized Revenues (b)	Utility's 2019 Proposed Revenues (c)	Utility's Requested Revenue Increase (d=c-b)	ORA's 2019 Proposed Revenues (e)	ORA's Recommended Revenue Change (f=e-b)
SDG&E	\$1,982	\$2,199	\$217	\$1,918	(\$64)
SoCalGas	\$2,456	\$2,931	\$475	\$2,695	\$239
Total	\$4,438	\$5,130	\$692	\$4,613	\$175

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9 Table 34-2 compares ORA's forecast of Test Year 2019 GRC proposed
10 revenues to SDG&E's forecast, relative to SDG&E's 2018 authorized revenues,
11 broken down by the electric and gas departments.

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Table 34-2
With Tax Cut and Jobs Act Impact
**Comparison of SDG&E's Requested Revenue Increase in 2019
with ORA's Recommended Revenue Change, Electric and Gas Departments
(in Millions of Dollars)**

Description (a)	SDG&E 2018 Authorized Revenues ¹ (b)	SDG&E 2019 Proposed Revenues (c)	SDG&E Increase over 2018 Authorized Revenues (d=c-b)	ORA 2019 Proposed Revenues (e)	ORA Change from 2018 Authorized Revenues (f=e-b)
Electric Department	\$1,654	\$1,764	\$110	\$1,530	(\$124)
Gas Department	\$328	\$435	\$107	\$389	\$61
Total	\$1,982	\$2,199	\$217	\$1,918	(\$64)

¹ Ex. SDG&E-48, p. RH-A-3, Table RH-2U (electric) and p. RH-A-4, Table RH-5U (gas). Also Ex. SDG&E-42-2R, p. RH-A-3, Table KN-2 (electric) and p. RH-A-6, Table KN-5 (gas).

1 Table 34-3 compares ORA’s forecasts of post-test year revenue increases to
 2 SDG&E’s and SoCalGas’ requested revenue increases for 2020, 2021, and 2022,²
 3 with the TCJA impacts.

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Table 34-3
With Tax Cut and Jobs Act Impact
Comparison of SDG&E’s and SoCalGas’
Proposed Post-Test Year Revenue Increases for 2020-2022
with ORA’s Recommended Increases
(in Millions of Dollars)

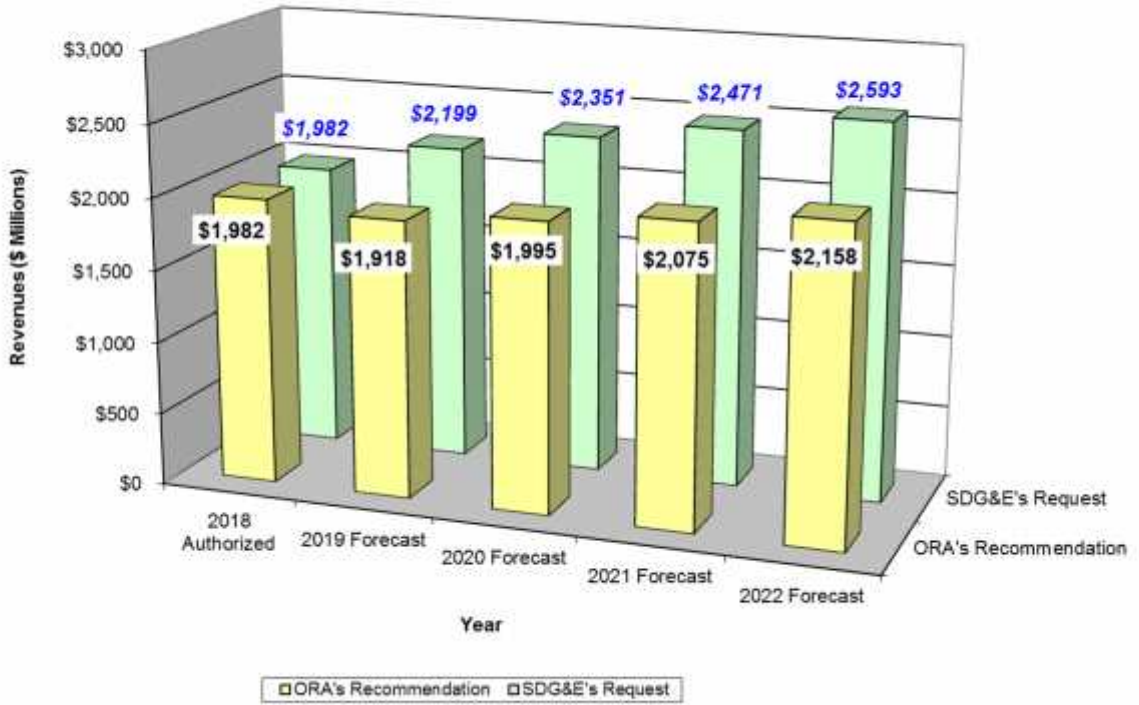
Description (a)	Sempra 2020 Revenue Increase (b)	Sempra 2021 Revenue Increase (c)	Sempra 2022 Revenue Increase (d)	ORA 2020 Revenue Increase (e)	ORA 2021 Revenue Increase (f)	ORA 2022 Revenue Increase (g)
SDG&E	\$152	\$120	\$122	\$78	\$80	\$83
SoCalGas	\$237	\$193	\$203	\$121	\$145	\$157
Total	\$389	\$313	\$325	\$198	\$224	\$240

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² Ex. SDG&E-43-2R, p. KJD-ii and Ex. SCG-44-2R, p. JAM-ii.

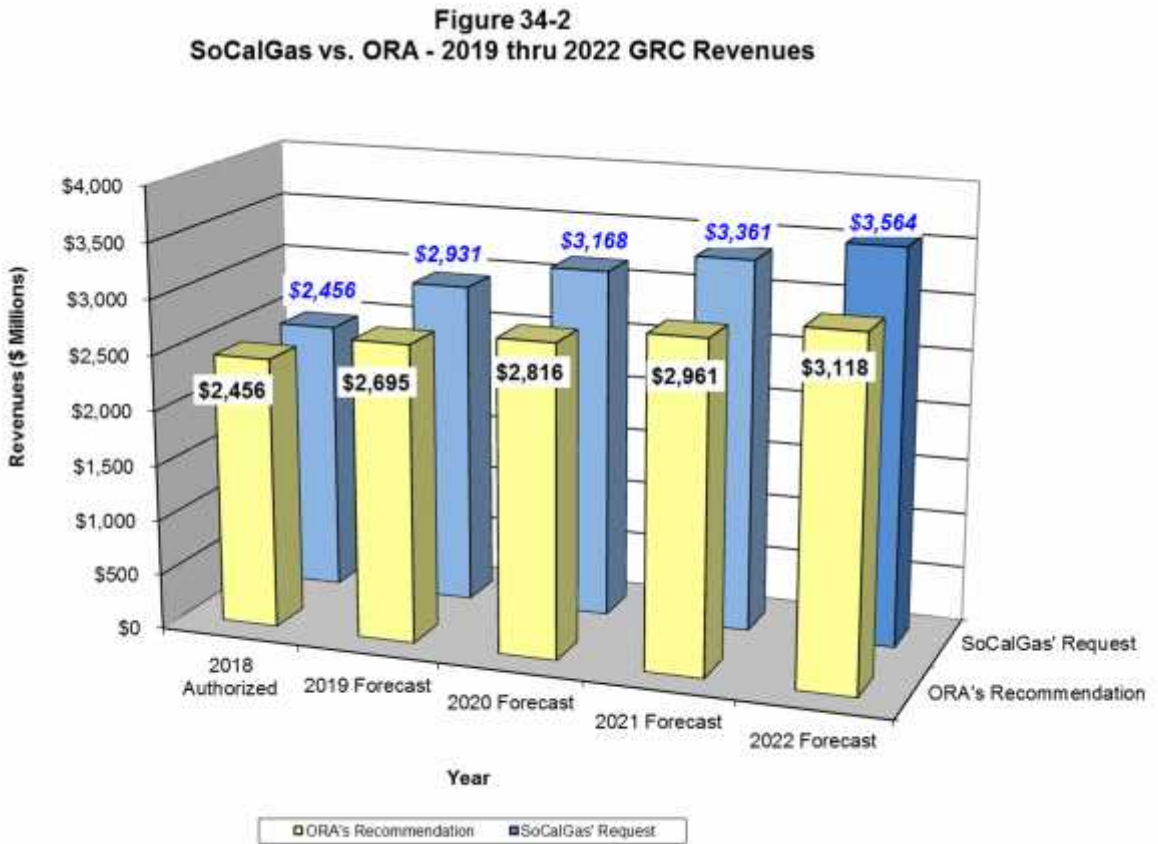
- 1 Figure 34-1 illustrates ORA’s recommended revenue requirement level for
- 2 2019 thru 2022, compared to SDG&E’s request, with the TCJA impacts.

Figure 34-1
SDG&E vs. ORA - 2019 thru 2022 GRC Revenues



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1 Figure 34-2 illustrates ORA's recommended revenue requirement level for
2 2019 thru 2022, compared to SoCalGas' request, with the TCJA impacts.



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1 **II. OVERVIEW / SUMMARY WITH IMPACTS FROM THE TAX CUTS**
 2 **AND JOBS ACT**

3 This section provides an overview and summary of SDG&E’s and SoCalGas’
 4 requests, and ORA’s recommendations regarding the Sempra Utilities’ 2019 thru
 5 2022 revenue requirements, with the TCJA impacts.

6 **A. SDG&E Requests a \$217 Million Revenue Increase in 2019**
 7 **and Post-Test Year Increases of \$152 Million in 2020, \$120**
 8 **Million in 2021, and \$122 Million in 2022, While SoCalGas**
 9 **Requests a \$475 Million Revenue Increase in 2019 and Post-**
 10 **Test Year Increases of \$237 Million in 2020, \$193 Million in**
 11 **2021, and \$203 Million in 2022**

12 The table below compares SDG&E’s and SoCalGas’ Test Year 2019 GRC
 13 proposed revenues forecasts to their actual 2018 authorized revenues, with the
 14 TCJA impacts

15 **Table 34-4**
 16 *With Tax Cut and Jobs Act Impact*
 17 **SDG&E’s and SoCalGas’ Proposed GRC Revenues Effective January 1, 2019**
 18 **(in Millions of Dollars)**

Description (a)	2018 Authorized Revenues (b)	2019 Proposed Revenues (c)	\$ Increase over 2018 Authorized Revenues (d=c-b)	% Increase over 2018 Authorized Revenues (e=d/b)
SDG&E	\$1,982	\$2,199	\$217	10.9%
SoCalGas	\$2,456	\$2,931	\$475	19.3%
Total	\$4,438	\$5,130	\$692	15.6%

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 20 SDG&E and SoCalGas propose post-test year ratemaking (PTYR)
 21 mechanisms to account for escalation of operating expenses and capital revenue
 22 requirement growth. The following table compares SDG&E’s and SoCalGas’
 23 proposed post-test year revenue increases,³ with the TCJA impacts.

³ Post-Test Year dollar (rounded) and percentage increases for each utility from Ex. SDG&E-43-2R, p. KJD-ii, and Ex. SCG-44-2R, p. JAM-ii. Figures in the “Total” row calculated by ORA.

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Table 34-5
With Tax Cut and Jobs Act Impact
SDG&E's and SoCalGas' Proposed Post-Test Year Revenue Increases for 2020-2022
(in Millions of Dollars)

Description (a)	2020 Revenue Increase (b)	2020 Percentage Increase (c)	2021 Revenue Increase (d)	2021 Percentage Increase (e)	2022 Revenue Increase (f)	2022 Percentage Increase (g)
SDG&E	\$152	6.9%	\$120	5.1%	\$122	5.0%
SoCalGas	\$237	8.1%	\$193	6.1%	\$203	6.0%
Total	\$389	7.6%	\$313	5.7%	\$325	5.6%

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**B. On a Cumulative Basis over a 4-Year GRC Term,
SDG&E's and SoCalGas' Proposed Revenue Increases
Total \$1.7 Billion and \$3.2 Billion, Respectively**

If SDG&E's proposals are adopted by the Commission, the utility's ratepayers will experience a 4-year cumulative revenue increase of \$1.686 billion.⁴ Figure 34-3 illustrates SDG&E's requested revenue requirement levels, and annual increases, for 2019 thru 2022, with the TCJA impacts.

⁴ For SDG&E's 4-year GRC term: (a) the \$217 million increase in 2019 would be in effect for four years—2019, 2020, 2021 and 2022; (b) the \$152 million increase in 2020 would be in effect for three years—2020, 2021 and 2022; (c) the \$120 million increase in 2021 would be in effect for two years—2021 and 2022; and (d) the \$122 million increase in 2022 would be in effect for one year—2022. Therefore: (\$217 million x 4) + (\$152 million x 3) + (\$120 million x 2) + (\$122 million x 1) = \$1,686 million, or \$1.686 billion.

Figure 34-3
SDG&E's Requested Revenue Requirement for 2019 thru 2022
 (in Millions of Dollars)



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2 If SoCalGas’ proposals are adopted by the Commission, the utility’s
 3 ratepayers will experience a 4-year cumulative revenue increase of \$3.200 billion.⁵
 4 Figure 34-4 illustrates SoCalGas’ requested revenue requirement levels, and annual
 5 increases, for 2019 thru 2022, with the TCJA impacts.

⁵ For SoCalGas’ 4-year GRC term: (a) the \$475 million increase in 2019 would be in effect for four years—2019, 2020, 2021 and 2022; (b) the \$237 million increase in 2020 would be in effect for three years—2020, 2021 and 2022; (c) the \$193 million increase in 2021 would be in effect for two years—2021 and 2022; and (d) the \$203 million increase in 2022 would be in effect for one year—2022. Therefore: (\$475 million x 4) + (\$237 million x 3) + (\$193 million x 2) + (\$203 million x 1) = \$3,200 million, or \$3.200 billion.

Figure 34-4
SoCalGas' Requested Revenue Requirement for 2019 thru 2022
(in Millions of Dollars)



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C. ORA's Forecast of Test Year Revenue Changes for SDG&E and SoCalGas

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4 With the TCJA impacts, ORA recommends that the Commission authorize
5 \$1.918 billion in 2019 GRC base revenues for SDG&E, and \$2.695 billion for
6 SoCalGas. ORA recommends the following changes in 2019 relative to SDG&E's
7 and SoCalGas' 2018 authorized revenues:

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- Decreasing SDG&E's revenue requirement by \$64 million (3.2%) relative to its 2018 authorized revenues of \$1.982 billion; and
- Increasing SoCalGas' revenue requirement by \$239 million (9.7%) over its 2018 authorized revenues of \$2.456 billion.

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Table 34-6
With Tax Cut and Jobs Act Impact
ORA Recommends a \$64 Million Decrease in GRC Revenues for SDG&E
and a \$329 Million Increase for SoCalGas, Effective January 1, 2019
(in Millions of Dollars)

Description (a)	2018 Authorized Revenues (b)	ORA 2019 Proposed Revenues (c)	ORA \$ Change to 2018 Authorized Revenues (d=c-b)	ORA % Change to 2018 Authorized Revenues (e=d/b)
SDG&E	\$1,982	\$1,918	(\$64)	(3.2%)
SoCalGas	\$2,456	\$2,695	\$239	9.7%
Total	\$4,438	\$4,613	\$175	3.9%

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D. ORA Forecasts Lower Post-Test Year Revenue Increases for SDG&E and SoCalGas

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With the TCJA impacts:

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- SDG&E requests revenue increases of \$152 million (6.9%) for 2020, \$120 million (5.1%) for 2021, and \$122 million (5.0%) for 2022.⁶; and

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- SoCalGas requests revenue increases of \$237 million (8.1%) for 2020, \$193 million (6.1%) for 2021, and \$203 million (6.0%) for 2022 (which includes PSEP-related revenue increases).⁷

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Ex. ORA-31 presents ORA’s analysis and recommendations associated with SDG&E’s and SoCalGas’ Post-Test Year Ratemaking (PTYR) proposals, without the TCJA impacts. In that exhibit, ORA recommends a PTYR mechanism providing the utilities with annual 4.0% increases, plus incremental revenues for SoCalGas’ forecasted PSEP-related capital investment, as addressed in Ex. ORA-03. With the TCJA impacts, ORA recommends the same mechanism.

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In Ex. ORA-31, ORA estimates PSEP-related revenue increases of \$15.5 million, \$36.7 million, and \$44.7 million for 2020, 2021, and 2022, respectively. With

⁶ Ex. SDG&E-43-2R, p. KJD-ii.

⁷ Ex. SCG-44-2R, p. JAM-ii.

1 the TCJA impacts, ORA’s updated forecasted increases are \$13.5 million, \$32.5
 2 million, and \$40.2 million for 2020, 2021, and 2022, respectively.

3 As such, ORA recommends the following post-test year revenue increases for
 4 2020 thru 2022 for SDG&E and SoCalGas, with the TCJA impacts:

5 **Table 34-7**
 6 *With Tax Cut and Jobs Act Impact*
 7 **ORA Estimates Post-Test Year Revenue Increases of**
 8 **\$77 Million in 2020, \$80 Million in 2021, and \$83 Million in 2022 for SDG&E**
 9 **and \$121 Million in 2020, \$145 Million in 2021, and \$157 Million in 2022 for SoCalGas**
 10 **(in Millions of Dollars)**

Description (a)	ORA 2019 Proposed Revenues (b)	ORA 2020 Proposed Revenue Increase (c)	ORA 2020 Proposed Revenues (d=b+c)	ORA 2021 Proposed Revenue Increase (e)	ORA 2021 Proposed Revenues (f=d+e)	ORA 2022 Proposed Revenue Increase (g)	ORA 2022 Proposed Revenues (h=f+g)
SDG&E	\$1,918	\$77	\$1,995	\$80	\$2,075	\$83	\$2,158
SoCalGas	\$2,695	\$121	\$2,816	\$145	\$2,961	\$157	\$3,118
Total	\$4,613	\$198	\$4,811	\$224	\$5,035	\$240	\$5,275

11 With the TCJA impacts, ORA’s test year and post-test year forecasts result in
 12 4-year cumulative increases of \$218 million⁸ for SDG&E and \$1.766 billion⁹ for
 13 SoCalGas.

14 **III. PROGRESSION OF THE SDG&E AND SoCalGas REVENUE**
 15 **REQUIREMENT REQUESTS**

16 Table 34-8 shows the progression of SDG&E’s 2019 revenue requirement
 17 requests, from when the GRC application was filed on October 6, 2017, to when tax
 18 update testimony was served on April 6, 2018. The table also shows ORA’s forecast
 19 of SDG&E’s 2019 revenue requirement as of April 13, 2018.

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⁸ [(-\$64 million) x 4] + (\$77 million x 3) + (\$80 million x 2) + (\$83 million x 1) = \$218 million.

⁹ (\$239 million x 4) + (\$121 million x 3) + (\$145 million x 2) + (\$157 million x 1) = \$1,766 million, or \$1.766 billion.

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Table 34-8
SDG&E Test Year 2019 Revenue Requirement Requests
(in Millions of Dollars)

Date	Description	2018 Authorized	Proposed Change	Proposed Revenues
October 6, 2017	SDG&E GRC Application	\$1,981	\$218	\$2,199
December 20, 2017	SDG&E Revised Testimony	\$1,982	\$217	\$2,199
January 16, 2018	Updated Results of Operations ¹⁰	\$1,982	\$214	\$2,196
April 6, 2018	SDG&E Tax Update Testimony ¹¹	\$1,982	\$217	\$2,199
April 13, 2018	ORA Testimony without Tax Update (Ex. ORA-01 and Ex. ORA-02)	\$1,982	\$9	\$1,991
April 13, 2018	ORA Testimony with Tax Update (Ex. ORA-34 and Ex. ORA-35) ¹²	\$1,982	(\$64)	\$1,918

4 Subsequent to filing its GRC Application (without TCJA impact) on October 6,
5 2017, SDG&E has not reduced its Test Year 2019 revenue requirement request.
6 Even though SDG&E computes that the TCJA results in a \$58 million reduction to its
7 2019 revenue requirement (to \$2.141 billion), it is choosing to offset that amount in
8 its RO model, to "...accommodate the potential impacts of...anticipated proposals to
9 be submitted at a later date."¹³ ORA's 2019 revenue requirement forecast for

¹⁰ On January 16, 2018, Ex. SDG&E-48 was served, updating SDG&E's Results of Operations for changes in rates effective January 1, 2018, i.e., its actual 2018 authorized revenues. The update only revised the 2018 authorized revenues and not the 2019 revenue requirement forecast. In its Application, SDG&E had presented its as-expected 2018 authorized revenues.

¹¹ According to Ex. SDG&E-42-2R, p. RH-2, Table 1, the impacts of the TCJA results in a \$57.7 million reduction to SDG&E's 2019 revenue requirement forecast. However, SDG&E is proposing to maintain the requested revenue requirement at its initial GRC Application level by including offsetting adjustments to the TCJA's impacts in the RO model.

¹² ORA fully reflects the TCJA impacts in its forecast of SDG&E's 2019 revenue requirement.

¹³ Ex. SCG-49/SDG&E-49, p. CM-2, lines 22-23.

1 SDG&E, with the TCJA impact, is \$73 million lower than its forecast without the tax
 2 impact.

3 Table 34-9 shows the progression of SoCalGas' 2019 revenue requirement
 4 requests, from when the GRC application was filed on October 6, 2017, to when tax
 5 update testimony was served on April 6, 2018. The table also shows ORA's forecast
 6 of SoCalGas' 2019 revenue requirement as of April 13, 2018.

7 **Table 34-9**
 8 **SoCalGas Test Year 2019 Revenue Requirement Requests**
 9 **(in Millions of Dollars)**

Date	Description	2018 Authorized	Proposed Increase	Proposed Revenues
October 6, 2017	SoCalGas GRC Application	\$2,509	\$480	\$2,989
December 20, 2017	SoCalGas Revised Testimony	\$2,509	\$480	\$2,989
January 16, 2018	SoCalGas Updated Results of Operations ¹⁴	\$2,456	\$533	\$2,989
April 6, 2018	SoCalGas Tax Update Testimony ¹⁵	\$2,456	\$475	\$2,931
April 13, 2018	ORA Testimony without Tax Update (Ex. ORA-01 and Ex. ORA-02)	\$2,456	\$312	\$2,768
April 13, 2018	ORA Testimony with Tax Update (Ex. ORA-34 and Ex. ORA-35)	\$2,456	\$239	\$2,695

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¹⁴ On January 16, 2018, Ex. SCG-48 was served, updating SoCalGas' Results of Operations for changes in rates effective January 1, 2018, i.e., its actual 2018 authorized revenues. The update only revised the 2018 authorized revenues and not the 2019 revenue requirement forecast. In its Application, SoCalGas presented its as-expected 2018 authorized revenues. According to SoCalGas, its actual 2018 authorized revenues are lower than its as-expected 2018 authorized revenues for two main reasons: (1) Pipeline Safety Enhancement Plan (PSEP) revenues that were approved in AL 5202 were lower than estimated; and (2) the Aliso Canyon Turbine Replacement (ACTR) had an estimated in-service date of late 2017 and were expected to be included in 2018 rates, but the in-service date has been delayed and that revenue was not included in the actual 2018 authorized revenues.

¹⁵ According to Ex. SCG&E-43-2R, p. RH-1, Table 1, the impacts of the TCJA results in a \$58.7 million reduction to SoCalGas' 2019 revenue requirement request.

1 Subsequent to filing its GRC Application (without TCJA impact) on October 6,
2 2017, SoCalGas has reduced its Test Year 2019 revenue requirement request by
3 \$59 million, due to the tax update. ORA's 2019 revenue requirement forecast for
4 SoCalGas, with the TCJA impact, is \$73 million lower than its forecast without the
5 tax impact.

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WITNESS QUALIFICATIONS

2 My name is Clayton K. Tang. My business address is 505 Van Ness Avenue,
3 San Francisco, California. I am employed by the Office of Ratepayer Advocates
4 (ORA) as a Program and Project Supervisor in the Energy Cost of Service and
5 Natural Gas Branch.

6 I received a Master of Business Administration degree from San Francisco
7 State University and a Bachelor of Science degree in Mechanical Engineering from
8 San Jose State University. I am a registered Professional Engineer in Mechanical
9 Engineering in the State of California.

10 Since joining the Commission in 1986, I have worked on numerous general
11 rate cases (GRCs) in an advocacy role with ORA (1986-1997 and 2005-present),
12 and on various matters in an advisory role with the Energy Division (1997-2005). I
13 am one of ORA's Project Coordinators for this GRC.

14 This completes my prepared testimony.